

Minutes Of The Board Of Trustees
City Of Cincinnati
Retirement System
September 2, 2004

The Chairman called the meeting to order at 1:30 p.m. with the following members present:

V. Daniel Radford, Chairman
William Moller, Secretary
Valerie Lemmie, City Manager
John Bowling
Brian Pickering
Joe Harrison
Marijane Klug
Michael Rachford
Edwin Volpe
Elliott Ruther, proxy for John Cranley

Members Absent

Charlie Luken, Mayor

Mr. Radford called for a motion to approve the minutes of the August 5, 2004 Board Meeting. The motion was made by Mr. Moller, seconded by Mr. Pickering, and carried by the Board. The minutes were approved as prepared by the Secretary.

BENEFITS COMMITTEE

Mr. Harrison, Chairman of the Benefits Committee reported that the Committee met on August 26, 2004. Mr. Harrison gave the following report:

1. Application for Ordinary Retirement September 11, 2004: Total – 18

No.	NAME	DEPARTMENT
29959	David Brown	University of Cincinnati
32981	Joann Spiess	Police
39352	Mark Hutchison	MSD
39936	Sherian Steele	Health
40457	Gail Moore	University of Cincinnati
40623	Carol Cantor	University of Cincinnati
41121	Gail Seibert	Police
41238	Steven Witson	University of Cincinnati
41361	William Rottner	Law
41431	Dennis Hodrick	Water Works
41559	Kimberly Melchion	Parks
51465	Priscilla Davis	Law
41612	Patricia Butler	RCC
41797	Jack Bohnstengel	University of Cincinnati
44207	Sue Curtis	University of Cincinnati
48307	Lillian Mulder	Police
51361	Mildred Blackburn	Health

2. Application for Retired Members Deaths: Total – 11

Mr. Moller presented the Board with a copy of the City Solicitor's report on the legal opinion requested for Tom Ellis. Mr. Rachford moved that a response be sent to Mr. Ellis with the City Solicitor's recommendation. The motion was seconded by Mr. Harrison and carried by the Board.

Mr. Harrison moved that the Board accept the report of the Benefits Committee. The motion was seconded by Mr. Rachford and carried by the Board.

INVESTMENT COMMITTEE

Mr. Moller reported that the Investment Committee last met on August 6, 2004 at 1:30 in Committee Room B. At that meeting, the Investment Committee met with representatives from PanAgora, Asset Management to discuss the increase in ownership of PanAgora by Putnam Investments. (Putnam's ownership stake in PanAgora Asset recently increased from 50% of voting shares to 80%.) Mr. Moller indicated that the change in ownership structure automatically placed PanAgora on the Manager Watch List. Also, the Investment Committee was concerned, as Putnam Investments has recently had problems related to portfolio managers making market-timing trades in their personal portfolios. Mr. Moller reported that after meeting with PanAgora, the Committee members were generally comfortable with the ownership restructuring as PanAgora will continue to operate as an independent organization, and the individuals at

Putnam associated with the market-timing issues have been removed from the organization.

Mr. Moller also reported that the investment consultant was on hand to present the second quarter performance report. The investment return of the fund for the second quarter was 0.62%. For the first six months of 2004, the fund has out-performed the Cincinnati benchmark (3.07% vs. 2.65%). However, the three-year and five-year investment performance trails the benchmark, primarily due to poor performance of the international equity managers. After reviewing the report and discussing the performance of the international equity managers, the Committee agreed to recommend to the Board the termination of Duetsche Asset Management.

SECRETARY'S REPORT

Mr. Moller reported that as of July 31, the value of fund assets were about \$2.26 billion, a year-to-date decrease of about 1.6%. The asset allocations as of July 31, 2004 were all within their target ranges, so there would be no rebalancing recommendations. The asset allocation as of July 31, 2004 was 50.9% domestic equity, 14.0% international equity, 34.4% fixed income, and 0.7% alternative assets/treasury cash.

Mr. Radford commented that he was concerned with the use of the Cincinnati benchmark to evaluate the performance of the total fund. He asked that the Investment Consultant to provide assistance in evaluating this benchmark.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 56
2. Resolution for Return of Contributions & Death Benefits– Total: 40
Amount: \$100,468.64
3. Resolution for Loans to Members – Total: 51 – Amount: \$538,542.59
4. Report on Deaths of Pensioned Members – Total: 14
5. Report on Military Service Credit prior to Membership – Total: 3

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
City of Cincinnati c/o Accounts & Audits – Services performed by the Finance Director for the Retirement System during 2004	\$10,000.00
Parman Group Inc.- Vocational Review for Disability Applicants	\$700.00
Mellon Consultants LLC – Professional Services Rendered	\$930.00
ABS Business Products Inc. Monthly Rental Base Rate for Copier	\$238.50
City of Cincinnati – Communications Technology Services for Telephone services July 2004	\$363.81
Wyoming Tours and Travel LTD – Reimbursement for Conference Expenses	\$304.71
Business Information Solutions Inc. – Billing for Storage of CRS files	\$71.95
All Star Personnel Inc. – Temporary Personnel Services	\$442.05
Lynda D. Riddle – Correction and Reissue of death benefit for David Riddle	\$119,707.77

Ohio Police & Fire Pension Fund – Reciprocity Transfers	\$93,125.45
Mellon Consultants Inc. – Professional Services Rendered	\$2,239.00
Mae Consulting Inc. – Professional Services Rendered	\$640.00
Mercer Human Resource Consulting – Professional Services Rendered	\$8,000.00
Assured Micro Services Inc. – On-Base Document Imaging System	\$7,155.00
All Star Personnel Inc. – Temporary Personnel Services	\$227.34
Ohio Police & Fire Pension Fund – Reciprocity Transfers	\$93,125.45

The Secretary reported that at the close of business August 31, 2004, there was in the Treasury to the credit of the Retirement System the amount of \$1,421,849.52.

Asset Valuation:

- December 31, 2003: \$2.29 billion
- July 31, 2004: \$2.26 billion
- YTD Increase (Decrease): (2.3)%

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 50.9% (50%)
- International: 14.0% (13.5%)
- Fixed Income: 34.4% (33.5%)
- Alternative Assets/Treasury Cash: 0.7% (3%)

ACTUARY PRESENTATION

Mr. Gary Dickson of Mercer Human Resource Consulting was on hand to further discuss the list of actions that could be considered by the Board to improve the long-term financial health of the retirement system. This was the third Board meeting that Mr. Dickson has attended to discuss the cost impact of the different actions being considered by the Board.

Mr. Dickson advised the Board that their most recent analysis of the data revealed that the future required contribution rates discussed at the first two meetings needed to be revised. Mr. Dickson provided the Board with revised contribution requirements for the different actions being considered by the Board.

At the June meeting, the Board asked Mr. Dickson to estimate the changes to the cost savings if some of the actions being considered by the Board were slightly revised. Mr. Dickson presented the Board with the cost impact of the proposed revisions.

One of the actions under consideration by the Board is moving assets currently used to fund the medical liability to the assets that are used to cover the pension liability. However, there were questions from some Board members regarding the legality of moving the assets from one liability to another. Thus, Mr. Moller made a motion that the Board ask the City Solicitor for an opinion on this issue. Ms. Lemmie seconded the motion, and the motion passed.

The Board asked Mr. Dickson to be in attendance at the October meeting as the Board will continue to review and discuss the various actions that could be implemented to improve the financial health of the retirement system.

CORPORATE GOVERNANCE

Mr. Giles reported that the ballots for the upcoming election for the 'Retired Member' would be counted on September 9, 2004.

ADJOURNMENT

Upon request of the Chairman's motion to adjourn, the motion was made by Ms. Lemmie seconded by Mr. Rachford, and carried by the Board. The meeting was adjourned at 2:15 p.m.